

CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM
305 WEST PINE STREET
TUESDAY, DECEMBER 7, 1999

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, December 7, 1999 commencing at 7:00 a.m.

ROLL CALL

Present: Council Members – Hitchcock, Land, Nakanishi, Pennino and Mann (Mayor)

Absent: Council Members – None

Also Present: City Manager Flynn, Deputy City Manager Keeter, Fire Chief Kenley, Parks and Recreation Director Williamson, City Attorney Hays and City Clerk Reimche

Also in attendance was a representative from the Lodi News Sentinel and The Record.

TOPIC(S)

1. Concessions Exclusives – Presentation by DD Marketing
2. Automatic Aid with Mokelumne Rural Fire District
3. Joint Use Agreement with Lodi Unified School District (LUSD)

ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at approximately 8:37 a.m.

ATTEST:


Alice M. Reimche
City Clerk

Executive Summary

City of Lodi

About DD Marketing...

DD Marketing is the premier exclusive beverage consultant in the country:

- Entire division of DDM staff is exclusively working with beverage agreements
- Negotiated public and private sector contracts
- Skilled staff pertaining to guiding a public process
- A major beverage company referred to recent **DD Marketing's** Request for Proposal (RFP) as "*the most extensive and best prepared RFP that they had ever seen.*"

Services We Provide...

DD Marketing coordinates the turnkey process that enables all key members of the public entity to provide input on the objectives of a beverage contract.

Included in this process are the following **DD Marketing** responsibilities:

- Assist in the coordination of a team that will oversee and provide feedback on the entire process
- Analyze and collect data on current city wide beverage arrangements
- Develop (with team input) and distribute a Request of Proposal (RFP) to the beverage community
- Work with the city to establish and train a panel that will evaluate responses generated by the RFP
- Lead negotiations with the RFP respondents to ensure the best possible contract
- Assist in the creation of the contract document that will be signed by the successful vendor
- Assist personnel with the contract approval process
- Coordinate public relations to ensure successful start-up of the program
- Audit and manage the program to ensure contract adherence and keep abreast of opportunities to continue to maximize program revenue

Results You Will Realize...

- Creation of revenue stream that is currently not being realized by the city - initial review estimates **\$300,000** annually (conservative) can be generated with an exclusive program
- Audit and program administration expenses set at a flat rate with total revenue cap DDM fee calculated on 25% of program revenue not to exceed \$100,000 annually. As program grows and is maximized by DDM's expertise, the fee is capped. City buildings and property have a tremendous opportunity to generate revenue due to the city traffic that frequents the sites.
- The contract organizes the vending revenues generated by machine by product line making distribution of revenue much more accurate and justified
- Typically, individual sites and/or employees have had some responsibility with pre-existing vending arrangements; our program centralizes these responsibilities to create an efficient and effective program and relieve staff.



CITY OF LODI
FIRE DEPARTMENT



MEMORANDUM

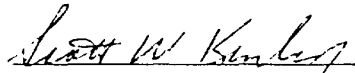
DATE: November 30, 1999
TO: H. Dixon Flynn, City Manager
FROM: Scott W. Kenley, Fire Chief
SUBJECT: Automatic Aid with Mokelumne Rural Fire District

I have received a request from the Chairman of the Mokelumne Rural Fire District, Mike Young, for coverage of medical aid calls in the extreme north/west end of their district. This request is the result of an inability to occasionally staff the district's station one on Victor Road due to a decrease in full-time and volunteer firefighters. The district's policy is to staff station one with a minimum of one firefighter and station two on Brandt Road with a minimum of two personnel. When staffing falls to two personnel, the district attempts to hire back on overtime an off-duty firefighter or a district volunteer. There are approximately twelve times per year that the district is unable to hire back sufficient personnel to cover both stations, when this happens the district closes station one and staffs station two with two personnel. This has caused concern on the part of residents who live in the first-in district of station one. As you will see from Chairman Young's letter, they are requesting that the Lodi Fire Department respond to medical aids in the area bordered by Harney Lane on the south, Alpine Road on the east and the Mokelumne River on the north. In reviewing past run history, this would amount to ten-twelve additional calls for Lodi Fire. Mokelumne would respond from station two and relieve our personnel usually within twenty minutes.

Presently, Mokelumne has been responding into the city limits of Lodi on second alarm calls to provide the department with additional breathing air support. Since January 1, 1999, the Mokelumne Fire District has responded six times inside the city limits of Lodi. The average time spent on-scene is approximately one hour, for a total of six hours. If the city were to agree to this request, it is estimated that the Lodi Fire Department will respond to approximately 10 calls and remain on-scene for approximately twenty minutes for a total commitment of three hours and twenty minutes. I personally feel that agreeing to this request is the right thing to do. It is neighborly and reciprocal based on their response into our city on an occasional basis.

I have also received a letter from the United Firefighters of Lodi stating their concern that this item is a change in wages, hours and working conditions, therefore subject to meet-and-confer. I

personally do not feel that this is a meet-and-confer issue. However, I will meet with the UFL to discuss their concerns should Council decide to pursue providing this service to Mokelumne.


Scott W. Kenley, Fire Chief

Attachment

Mokelumne Rural Fire District

13157 East Brandt Road/P.O. Box 1357, Lockeford, Ca. 95237

(209) 727-0564 Fax (209) 727-0863

Directors Mike Young, Bernie Mettler, Gersh Rosen, Ron Valinoti, Jerry Freeman,
Chief Dan Leary

October 27, 1999

CHIEF SCOTT KENLEY
LODI FIRE DEPARTMENT
217 W ELM ST
LODI CA 95240

RE: MUTUAL AID COVERAGE REQUEST

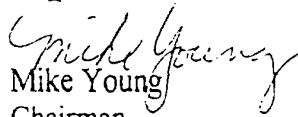
Dear Chief Kenley:

The Mokelumne Rural Fire District would like to request coverage from THE Lodi Fire Department in the Victor area for EMS calls only when our Station #1 is put into volunteer status. This occurs only when we have exhausted all means for staffing. Volunteer status happens approximately twelve times per year and averages nine runs within the twelve shifts. Our Station #2 will be manned and upon our arrival on scene, Lodi Fire Department will be immediately released. The area of coverage, if possible, would be from Harney Lane North to Mokelumne River and from Alpine Road West to the Lodi City limits. Prior to receiving EMS calls in the specified area, the Mokelumne Fire District will notify Lodi Fire Department by calling as soon as possible when Station #1 is in Volunteer Status. San Joaquin County will dispatch Mokelumne Fire Station #2 and relay call to Lodi Fire Department.

Thank You for considering our request.

If any further information is needed, please contact Fire Chief Dan Leary at the above number.

Sincerely,



Mike Young
Chairman

Mokelumne Rural Fire District
Board of Directors

KS:my

LFMUTAID.99

D R A F T #9

Includes Approved Revisions - October 27, 1999

AGREEMENT FOR RECIPROCAL USE AND MAINTENANCE OF
PUBLIC FACILITIES

LODI UNIFIED SCHOOL DISTRICT AND CITY OF LODI

THIS AGREEMENT ("Agreement"), is entered into this ____ day of _____, _____, by and between the CITY OF LODI ("City"), and LODI UNIFIED SCHOOL DISTRICT OF SAN JOAQUIN COUNTY ("District").

WITNESSETH:

WHEREAS, District and City have a mutual interest in the provision of adequate and attractive public facilities for education and recreation for the residents of Lodi and its environs; and

WHEREAS, both District and City have certain physical facilities, including pools, parks, stadiums, gymnasiums, indoor meeting rooms, play areas, and athletic fields which may be beneficially used by the other in a comprehensive program of serving the community; and

WHEREAS, District and City have in the past, executed a series of agreements for the mutual benefit and use of facilities and services; and

WHEREAS, District and City desire to consolidate and incorporate into a Master Agreement, provisions of joint use of facilities.

NOW, THEREFORE, BE IT AGREED between District and City as follows:

I. PREVIOUS AGREEMENTS SUPERSEDED

Those agreements between District and City, identified below in this section are superseded in their entirety.

1. Agreement for Reciprocal Use of Recreational Facilities, executed April 19, 1969.
2. Agreement for Reciprocal Use of Lodi Grape Bowl, effective September 1, 1988.
3. Agreement for Mowing Services at District Athletic Fields, effective October 15, 1984.
4. Agreement for Reciprocal Use of Tokay High School Pool, dated December 21, 1977.
5. Agreement for Reciprocal Use and Maintenance of Public Facilities, City of Lodi and Lodi Unified School District, dated July 1, 1990.
6. All other written agreements not noted herein between District and City for reciprocal use of facilities are declared void except those pertaining to specific individual facilities.

II. FACILITIES INCLUDED IN THIS AGREEMENT

- A. Unless otherwise specified, this Agreement covers the following City facilities:

Zupo Field; Kofu Park; Softball Complex, Chapman Field; Blakely Park; Lodi Grape Bowl; Blakely Field/Enze Swim Complex; Lodi Lake Park

- B. Unless otherwise specified, this Agreement covers the following District facilities:

Tokay High School Pool; Lodi High School Pool; all school athletic fields and school indoor facilities within the City of Lodi area and surrounding rural areas (Woodbridge, Lockeford, Houston, Clements, Victor, Henderson, and Tokay Colony).

- C. Facilities not covered by this Agreement:

1. District-owned facilities not specifically covered by this agreement may be scheduled for use under the use of facilities provisions of District policy, and must be requested through the site using the District's "Request for Use of Facilities" form. Provisions of this Agreement do not extend to those facilities.
2. City-owned facilities, not specifically covered by this agreement, are subject to use pursuant to the applicable provisions of City Ordinance, and/or policy, and the terms of the "Application for Use of City of Lodi Parks and Recreation Facilities." Provisions of this Agreement do not extend to those facilities.

III. SCHEDULING

- A. Scheduling Authorization

1. All scheduling for facilities under the provisions of this agreement, must be done by, and with the approval of, the authorized entity.
 - a. The authorized entities for the City of Lodi are the Parks and Recreation Department and the Office of the City Manager.
 - b. The authorized entity for school-related activities and school sites (except for field use) is the school principal,

D R A F T #9

Includes Approved Revisions - October 27, 1999

vice-principal, or applicable assistant superintendent. The authorized entity for all other sites is that site's administrator or the applicable assistant superintendent. The authorized entity for all use of school fields is the Maintenance and Operations Department.

- c. Requests for use of facilities at schools on a Modified Traditional Calendar must be submitted in sufficient time before scheduled breaks to allow for processing._
2. All request for facilities are to be submitted on the appropriate form(s) and must be signed by the designated representative of the authorized entity.

B. Advance Scheduling

1. Events which require advance scheduling, such as meets or tournaments, may be scheduled up to one (1) year in advance.
2. Requests for advance reservations by the City or District will be confirmed or denied by the authorizing entity within 15 working days of submittal.
 - a. All denials must include the reason(s) for denial.
 - b. If disagreements over proposed fees or charges, or use provisions, are not resolved within the 15 day period, the use shall be deemed denied, unless the period is extended by mutual consent.

C. Regular Scheduling

1. Swimming Pools (Blakely/Enze, Tokay High, Lodi High)
 - a. District and City representatives shall meet in January of each year to coordinate and confirm the year's schedule of uses, the appropriate reservation forms, the designated contact persons, location/procedure for filing the reservation forms, and to establish procedures for notifying users of emergency closure(s).
 - b. District pools are available when they are not being used for District purposes.

DRAFT #9

Includes Approved Revisions - October 27, 1999

- i) The Tokay High Pool and Lodi High Pool will be closed for maintenance at District discretion following the schools' last scheduled use (usually in November).
 - ii) Ninety days (90) prior to the anticipated closure, the City of Lodi Parks and Recreation Department will be notified to allow for coordination with the City's aquatics program. Except for extraordinary circumstances, the District shall close only one pool at a time.
 - c. City pools are not available for scheduled District use during June, July and August.
 - d. City or District pools will be closed immediately by authorized staff if there is any health or safety concern, or if the water quality falls below acceptable minimum standards as defined by San Joaquin Public Health Services, and/or any regulating state agency, and shall remain closed until use is authorized.
 - e. In the event of a closure of a District or City pool, designated staff of both entities will be notified of the closure immediately. Every attempt shall be made to accommodate alternative scheduling of events, or a rescheduling of canceled events.
2. Lodi Grape Bowl
- a. District shall have preferential use of the Lodi Grape Bowl for football games and graduation events, except when pre-empted by the Lodi Grape Festival and National Wine Show (generally in mid-September of each year).
 - i) District shall provide to City the schedule of football games and related events no later than May 1 preceding the season for which the schedule applies.
 - ii) The schedule for graduation events shall be provided not later than four months preceding the graduation (generally February 1 for events occurring the last week of May/first week of June).

D R A F T #9

Includes Approved Revisions - October 27, 1999

- b. The Grape Bowl is otherwise available for District events when it is not being used for City purposes, or other events approved and pre-scheduled by the City.
 - c. Except for events scheduled in-advance per paragraph B. of this section, the City shall confirm or deny District requests for use of the Grape Bowl within fifteen (15) working days of the receipt of the request.
 - d. All requests for use are to be submitted by the school principal, or authorized designee, on the forms, and in the manner proscribed by the City.
3. Athletic Fields, Complexes, Indoor Facilities
- a. All fields, both City and District, that are to be used for seasonal play, must be scheduled 60 days prior to the start of the season, using the appropriate forms of each jurisdiction.
 - b. All requests are to be confirmed or denied within 15 working days of the submittal of the request.
 - c. All requests for District fields shall be submitted to the designated District representative in the Maintenance and Operations Department. The Department shall coordinate such use requests with the subject school sites.
 - d. City fields shall be reserved and scheduled for use by City-sponsored teams and groups prior to reservation of District fields.
 - e. District fields shall be reserved and scheduled for District events prior to reservation of City fields.
 - f. All other school or District facilities to be used by the City shall be scheduled directly with the site administrator, using the appropriate facilities use form.
 - g. All other City facilities to be used by the District shall be scheduled directly with the appropriate site administrator, using the appropriate facilities use form.

DRAFT #9

Includes Approved Revisions - October 27, 1999

- h. All athletic fields (both City and District) are subject to closure when the fields are wet to the extent that team use could result in significant damage.
 - i) This is to be determined by the City's designated representative for City fields, and the District's designated Maintenance and Operations representative for District fields.
 - ii) Rain call procedures for fields are to be mutually agreed-upon at the start of each season, or when the use agreement is approved if it is for singular events.
- i. In the event that an extraordinary circumstance necessitates the closure of a City or District field, complex, or indoor facility, the using agency's representative shall be notified as soon as possible. It is that person's responsibility to notify all other affected parties.
 - i) Whenever possible, disrupted events shall be relocated to other facilities in-lieu of cancellation.
 - ii) Every attempt shall be made to accommodate a rescheduling of canceled activities.
- 4. If disagreements over proposed fees or charges, or use provisions, are not resolved within the designated period for approval or denial of the request for use, the use shall be deemed denied unless the time period is extended by mutual consent.

IV. OPERATIONS

A. If operational staff are required by the owner as a condition of using any facility ~~pool use, they~~ the assigned personnel shall be readily available at all times they are on-duty, to provide operational, maintenance and emergency assistance to the users.

B. Food and Beverage Concessions

- ~~a.1.~~ User and/or associated organizations, may operate food and/or beverage concessions during scheduled events under the following criteria.

D R A F T #9

Includes Approved Revisions - October 27, 1999

- a. If food and beverages are permitted in the facility.
- b. When there are no other proprietary or exclusionary agreements for concessions at the facility.
- b.2. If food concessions are to be a part of the event, it should be so noted on the use of facilities form and must be approved by owner.
- e.3. During such events, user and/or associated organizations, shall have an exclusive right to the operation of the concession stands and the proceeds of sale.
- d.4. User may assign the right to operation of the concession stand(s) only as agreed-to by the owner of the facility.

5. Exclusive Product Contracts

- a. If a facility is covered under an exclusive product contract, the user shall abide by the provisions of the contract.
- b. It is the responsibility of the using agency to obtain a copy of any pertinent contract provisions from the owner. Signature on the facility use agreement shall constitute understanding and acceptance of the provisions.
- c. It is the responsibility of the using agency to inform all affiliated users of the contract provisions and to monitor compliance.
- e.6. All concessions stands or areas used for concession, are to be completely vacated at the conclusion of the event, and are to be left in a clean and usable condition.
- f.7. All concessions must meet Department of Health Services standards and requirements.
- g.8. Concessions may remain for the duration of the event unless other arrangement are agreed-upon at the time that the use agreement is approved; however, they are the sole responsibility of the user.

A-C Pools (Blakely/Enze, Tokay High and Lodi High)

- 1. The areas around all pools are to be kept clean by users.

D R A F T #9

Includes Approved Revisions - October 27, 1999

2. Pool covers are to be used. They are to be placed as directed by operational personnel.

B D Grape Bowl

1. City agrees to staff the Lodi Grape Bowl with appropriate maintenance/standby personnel to coordinate and operate the facility when it is being used by District.
2. District shall furnish all security and event personnel as required by the City.
3. A District administrator and/or a school athletic director, shall be present during school or District events.
4. All personnel requirements, including applicable costs, fees, or charges, are to be included on the appropriate use form. at the time the application for use is approved.
5. During District's use of the Grape Bowl, District or associated student organizations may operate food concessions during any games or events scheduled by District.
 - a. During such events, District shall have an exclusive right to the operation of the concession stands and the sale of food, beverages, etc. during all games or performances scheduled by District.
 - b. District shall be entitled to retain all proceeds from the operation of said concessions.
 - c. District may assign the right to operation of the concession stands only as agreed-to by the City.
 - ~~d. All concessions stands used by the District, or its agents, are to be surrendered to the City at the conclusion of the event in a clean and usable condition.~~
 - ~~e. All concessions must meet Department of Health Services standards and requirements.~~

DRAFT #9
Includes Approved Revisions - October 27, 1999

C.E Athletic Fields, Complexes, and Indoor Facilities

1. Owners will staff the facility with the appropriate maintenance/standby personnel to coordinate and operate the facility: with all costs to be born by the user pursuant to the provisions of the facility use agreement and Exhibit A of this agreement.
2. User shall furnish all security and event personnel as required by the owner.
3. All personnel requirements, including applicable costs, fees, or charges, are to be included on the appropriate use form at the time the application for use is approved.
4. ~~Food and Beverage Concessions~~

D.F. Users will monitor facilities during use, and maintain all facilities in a safe and clean condition.

V. FEES AND CHARGES

- A. Charges for facility use are intended to reflect actual costs for use of the facility, above and beyond the cost for operation and maintenance that would otherwise be incurred by the owner.
- B. The initial schedule of charges pertinent to this agreement are to be established ~~negotiated~~ prior to execution of the agreement, and are to be attached to the executed agreement as Exhibit A.
 1. All potential fees, charges, or cost schedules are to be included in Exhibit A.
 2. At the time a facility is scheduled, the user is to be advised of all applicable and potential fees or costs.
 - a. These are to be noted on the use agreement form.
 - b. All cost notations on the use form(s) are to be initialed by the user's authorized representative.
 - c. Disagreement with proposed charge-items must be resolved between the agencies prior to final approval of

DRAFT #9

Includes Approved Revisions - October 27, 1999

the use agreement. Final authority for charge-items rests with the owner.

3. The District's fees to be included in Exhibit A will be established by the District pursuant to statute and applicable Board policy.
 4. The City's fees to be included in Exhibit A will be established by the City pursuant to statute and applicable City ordinances and/or policies.
 - ~~3.3.~~ Facility use charges to be reflected in Exhibit A, may be adjusted annually by either, or both, agencies, based on actual and/or projected costs.
 - 4.5. Adjustments to facility use charges shall be effective at the beginning of each fiscal year (July 1).
 - a. City and District representatives shall confer by January of each year regarding proposed adjustments for the forthcoming fiscal year.
 - b. All adjustments shall be confirmed by both parties in writing by February 1. If this does not occur, the fee schedule for the previous year shall remain in effect.
- C. All services or requirements beyond the scope of this agreement, are to be assessed and billed pursuant to the provisions of District and/or City policy and/or ordinance. To the maximum extent possible, these shall be mutually agreed-upon prior to the costs being incurred.
- D. Damage to Facilities
1. When damage to a facility or field does occur, the owner will notify the user agency immediately.
 2. Representatives of both agencies, and insurance agency representatives if appropriate, will evaluate and review the damages, preferably together, to assess necessary mitigation, appropriate cost, scheduled repair, and final work product.
 3. The user agency will be responsible for costs incurred to repair the damaged property.
- E. Billing and Payment

DRAFT #9

Includes Approved Revisions - October 27, 1999

1. Prior to the start of ~~the~~ each fiscal year, representatives from both agencies shall establish an "in-kind" match of funds. No dollars shall be exchanged until such time as the match has been exceeded by either agency, at which time the amount exceeded shall be billed and paid based on the charge-items on the approved use agreement, and at the rates in effect at that time.
2. Each agency will exchange ~~quarterly~~ quarterly reports on a quarterly basis, or as agreed-upon by the finance agents of both agencies, which detail facility usage including dates of use, names of users, facilities used, and fees associated with the usage. The reports will include total fees to date.
3. ~~Any disagreement with proposed charges on an executed facility use form must be documented in writing to the owner within 15 calendar days of the event. Approved adjustments will be made on the next quarterly report~~

VI. AMENDMENT TO AGREEMENT

- A. This agreement may be amended at any time by agreement of both parties.
- B. This agreement shall be amended if it is determined that there is an ongoing use of one or more facilities not covered by this agreement, or there are use or fee provisions which can best be addressed through mutual agreement.

VII. HOLD HARMLESS

- A. The user of the facility hereunder agrees to save, defend and hold harmless the owner of any facility for any and all damages arising from such reciprocal use by District or City, except for those damages or portion of damages directly attributable to the owner's negligence.
- B. Each party hereto is charged with the duty to inspect for apparent defects prior to the use of any facilities demised hereunder, and to provide appropriate notification to the owner.
- C. During any use of any facility demised hereunder, the user shall be liable to the owner for any damage to such property caused by the user, or third parties present at the invitation or suffrage of the party using the property.

D R A F T #9

Includes Approved Revisions - October 27, 1999

- D. Documentation of insurance coverage of user shall be provided as required by each agency.
- E. The prevailing party in any dispute arising under this agreement shall be entitled to reasonable attorney's fees incurred in the litigation or adjudication of such disputes.

VII. TERMS OF AGREEMENT

- A. The term of this agreement shall be "evergreen" with a biannual review by the City Council and the Board of Education.
- B. All fees, charges, or other specifics requiring ~~annual~~ periodic review and/or modification, are to be considered ~~by both parties each year~~ within the herein described timeframes.
- C. This agreement may be canceled at any time by either party, by giving to the other party six (6) months written notice, or by mutual consent. In the event of cancellation, all approved use of facilities shall continue uninterrupted to the end of the term approved on the facilities use agreement.

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year first hereinabove mentioned.

CITY OF LODI,
a municipal corporation

LODI UNIFIED SCHOOL DISTRICT
OF SAN JOAQUIN COUNTY

By _____
H. DIXON FLYNN
City Manager

By _____
MARILYN DOMINGO
Assistant Superintendent, Business

Attest:

Attest:

ALICE M. REIMCHE
City Clerk

Clerk of the Board of Education

Approved as to Form:

Approved as to Form:

RANDALL HAYS
City Attorney

ROBERT H. THURBON
Counsel to the District

DRAFT #9
Includes Approved Revisions - October 27, 1999

AGREEMENT FOR RECIPROCAL USE AND MAINTENANCE OF
PUBLIC FACILITIES

LODI UNIFIED SCHOOL DISTRICT AND CITY OF LODI

Exhibit A
Schedule of Fees and Charges

Effective _____
[List new date each time this is revised - retain old dates for documentation]

Fees and Charges for City of Lodi Facilities
Approved by the City of Lodi, _____

[Note: to be determined by the City of Lodi]

Fees and Charges for Lodi Unified School District Facilities
Approved by the District, _____

[Note: to be determined by the District]

AS SEEN IN

The New York Times

Friday, May 21, 1999

BUSINESS DAY

C1



Dan DeRose, right, addresses a Newark schools committee on how best to structure an exclusive soft-drink contract.

Today's Lesson: Soda Rights

Consultant Helps Schools Sell Themselves to Vendors

by: Constance L. Hays

NEWARK - Dan DeRose, marketing consultant, was busy doing the math for his new client, the Newark Public Schools.

The question on everyone's mind: how much money could the district make if it sold a soft-drink company the exclusive right to vend its products on school grounds? The answer, according to Mr. DeRose: a lot more than it gets right now.

"Let's just say everyone drinks one product a day, and let's just count the students," he said. "At 45,000 times 180 days of school, that's 8.1 million cans. At 75 cents apiece, that's \$6 million walking out the front door of your school every year in quarters and dollars.

"Let's get a lot of it," he told his audience, a collection of school principals, athletic directors, P.T.A. officials and one student. "Let's get some of it back to the schools." Even \$5 million would make a difference in the district's \$550 million budget.

With his square shoulders, steady smile and conscientious use of the first-person plural, Mr. DeRose and his company, DD Marketing, are storming a once-quiet backwater in the soft-drink business. Schools regard him as a font of information. Soft-drink companies, which used to make low-key deals on their terms with local school districts, hate him with a passion.

One of the best-known consultants in a rapidly growing specialty, Mr. DeRose,

who is based in Pueblo, Colo., says he has obtained exclusive contracts, or is negotiating them, for 63 school systems nationwide.

The exclusive contract, a winner-take-all creation of the soft-drink companies themselves, eliminates rivals' products from a school, a hotel, an airline. Thanks to Coca-Cola and Pepsico's desire to market to children, and the eagerness of schools for the income, Mr. DeRose has found a niche.

Almost evangelical in his zeal, he primes school officials to take on the soft-drink companies, raising the stakes for all concerned and profiting handsomely from the deals that go through. "Dan DeRose is probably the person most responsible for this current feeding frenzy," said Alex

McInar, a professor of education at the University of Wisconsin who has debated Mr. DeRose.

Others say there is a need for his services. "Most educators don't have a background in food management," said Barry Gaskins, a spokesman for the Pitt County schools in Greenville, N.C., which hired Mr. DeRose last year. "They're trained in the three R's, and the R's don't include retail."

While demand for exclusive contracts has never been greater, there is a distinct downside. Some lawmakers want to ban the sale or giveaway of soft drinks during the school day, citing nutrition concerns and the ubiquity of ads and vending ma-

getting 67 cents a kid before, and now they're getting \$27."

Then he went to the heart of the issue: how much Newark's kids could be worth.

As in hundreds of school systems around the country, Newark officials are unable to pay for every program on their agendas. The system was so badly mismanaged that in 1995, the state took control and still runs it.

To make the most of its assets, Mr. DeRose said, Newark should make a deal with just one soft-drink giant. "We're going to get what we call a rights fee," he said, adding that companies like Coke and

ous version of 'Seventy-Six Trombones,'" said Lauren C. Steele, a spokesman for Coca-Cola Consolidated, a bottler in Charlotte, N.C.

Pepsi also views consultants with distaste. "We tend not to love working with these guys," said a spokesman, David DeCecco.

In the past, soft-drink companies would make low offers and schools would usually accept them, lacking the time and inclination to pursue alternatives.

Now, the word is out. "Coke came to the table with an offer last week, and I said, 'based on what you did in Manteca and what you did in Wyoming, this isn't good enough,'" said Bill Erlendson, an official with the San Jose, Calif., school district, who used information Mr. DeRose provided. He was expecting a revised bid from Coke this week.

Mr. DeRose's plan for Newark calls for installing eight vending machines at each of the city's 13 high schools; two to four at each of the 69 lower schools. "Typically, we like to add a machine in a hall, to give the company a presence," he said. Committee members were asked to sign confidentiality agreements, to keep the offers secret from competing bidders, Mr. DeRose said.

The Newark group next meets June 1 to discuss the proposal Mr. DeRose puts together, before soliciting bids from the beverage companies. If all goes according to plan, Newark will sign an exclusive contract by the time school opens in September.

At its last meeting, the committee did express several reservations, including whether one old high school would be able to support eight vending machines on its existing electrical work, and whether the girls' basketball team would still be able to sell drinks at football games.

Mr. DeRose smiled, fixed his gaze on the group and said: "All of your concerns, I've heard them 500 times before. All of your peers across the country have the same concerns."

Organizations mentioned in this article:
DD Marketing; Coca-Cola Co; PepsiCo Inc

First Impressions:

With 50 million children of school age spending at least \$50 billion each year, some companies are interested in capturing that market early through exclusive deals like one Coke signed with School District 20 in Colorado.

Totals as of:	School districts with exclusive marketing deals	School districts that have refused solicited deals	States where deals exist
April '98	46	1	16
Oct. '98	108	10	23
May '99	140	15	26

Source: The Center for Commercial Free Public Education, National Institute on Media and the Family.

chines. And advocates for education say students are captive audiences who should not be sold to the highest bidder, even to finance school programs.

Mr. DeRose is working closely with Valerie Wilson, the food-services manager for Newark schools, who wants to consolidate the system's patchwork arrangement — some Coke here, some Pepsi there, plus other brands. Whoever wins the contract would supply not only sodas for vending machines but also juices in 82 school cafeterias and water and other drinks for athletic events.

After some discussion about the merits of the idea, officials decided to go ahead, Ms. Wilson said, and solicited bids from three marketing consultants, settling on Mr. DeRose. Earlier this month, nattily dressed in a gray suit, blue silk tie and shiny black alligator loafers, he met with the committee Ms. Wilson assembled to discuss the fine points.

He warmed up by discussing deals he has orchestrated for school systems in Colorado and Kansas — one for \$11.1 million, the other for roughly \$5.3 million. "In Kansas City," he noted, "they were

Pepsi love exclusive contracts because they imprint brand loyalty on young minds.

As an example, Mr. DeRose cited his own first grader, Anna, whose school in Pueblo has an exclusive contract with Coca-Cola, the work of DD Marketing. "From now until she's graduated, all she'll drink is Coke," he said. "She goes out for pizza and we ask, What do you want to drink, honey? Coke. She doesn't even know how to spell Pepsi."

The Newark group seemed impressed by Mr. DeRose's presentation, which included frequent pauses to answer questions. "It's a first time for us," said Roger Jones, a spokesman for the Newark Public Schools, when asked why the system needed a consultant. "It's an opportunity to bring together all the people involved in vending so we have one voice speaking for everyone," and help generate a windfall "that ultimately goes back into our system so students benefit."

With their costs rising, Coke and Pepsi say they want to avoid deals that involve marketers like Mr. DeRose. "I'm surprised that during his presentation, the high school band didn't break into a spontane-

"USA TODAY hopes to serve as a forum for better understanding and unity to help make the USA truly one nation."

—Allen H. Neuharth
Founder, Sept. 15, 1982



David Marcurella
Editor

Karen Jorgensen
Editor of the
Editorial Page

Thomas Culey
President and Publisher

Today's debate: Advertising in schools

This school is brought to you by: Cola? Sneakers?

OUR VIEW Sure, schools can use money, but the ad business is going too far.

The Keller school district in Texas has decided "Coke's the one." At least it's the one willing to pay schools \$4.2 million over 15 years to advertise Coca-Cola products.

The Jefferson County school district in Colorado is selling its students as the next Pepsi generation — for the price of \$2.1 million.

Eager to build brand loyalty, soft-drink companies are offering school districts big bucks for the exclusive right to advertise and sell their products at schools.

Schools have raised money selling ad space and halftime snacks for as long as they've had yearbooks and football games. But these exclusive, multi-million-dollar deals are ushering in a new and troubling age of educational fund-raising.

Anyone who doubts that massive financial support from the highest corporate bidder can cause a school

to sell out its independence — and students — need look no further than Greenbrier High School in Evans, Ga.

Senior Mike Cameron was suspended last Friday for interfering with the school's efforts to raise \$10,000 in corporate cash. His offense? He wore a Pepsi T-shirt on the school's official Coke Day.

According to a survey by the Center for Commercial-Free Public Education, at least 24 school districts have signed exclusive promotional deals with companies selling soft drinks, sneakers and telecommunications equipment. And the marketing firms that broker the contracts say hundreds more are in the works. The most lucrative to date: Coke's 10-year contract with the Colorado Springs

schools that pays \$8 million.

The deals are the latest twist in the commercialization of education by big companies eager to reach students. Since 1989, when Channel One began producing daily news shows for schools financed through youth-oriented commercials, in-school advertising gradually has expanded.

But there's a difference between the exclusive contracts companies are now seeking and other forms of advertising in schools. The exclusive deals limit student choice and can re-

quire educational institutions to toe the company line.

That's what happened when the University of Wisconsin signed a contract with Reebok. It barred teachers and students from speaking ill of the shoemaker, a curious lesson for an institution that should be teaching its students that the Constitution guarantees a right to free speech. The clause wasn't removed until law makers complained.

In today's ad-saturated world, kids don't need more exposure to Madison



Out! School officials weren't amused by Mike Cameron's Pepsi shirt.

Avenue-style hype. Yet that's what they're getting in school systems like Texas' Grapevine-Colleyville district, where Dr Pepper is paying \$3.45 million over 10 years to advertise in gyms, stadiums and atop two schools' roofs.

The cola ads are so lucrative that the school system is branching out. Now callers phoning the district are informed that the voice mail system is "proudly sponsored by Shroeder Othodontics."

There's plenty that corporations can do to support schools, from mentoring programs to ads with no strings attached.

But when the quest for corporate support drowns out a school's educational mission, it has gone too far.

Business, schools both win

OPPOSING VIEW Corporate partnerships help education

By Dan DeRose

Most people understand the tremendous pressure on both public and private education to increase student performance and enhance educational quality while containing costs.

Providing students with a quality education requires adequate funding for teacher and staff salaries, supplies, maintenance and operation of facilities, and general operating budgets. The simple fact is that funding for schools often does not provide the necessary base for achieving high quality.

Corporate support in education helps school officials overcome the interrelated issues of cost containment and quality enhancement. Funding provided by corporations enables schools to save programs that would otherwise be eliminated and to purchase state-of-the-art technology when funds otherwise would be unavailable.

Various business/school partnerships (exchange programs, internships and equipment-sharing programs) give students learning opportunities that benefit all involved.

To suggest, as some cynics do, that corporate involvement in education is motivated

only by the "bottom line" is unfair to enterprises such as Coca-Cola, PepsiCo and Cadbury Schweppes. I have found that these companies are genuinely concerned about making a contribution to educational quality.

Partnership agreements, whereby these companies share revenue from vending-machine sales with schools, ease the pressure on taxpayers and elected representatives to constantly increase funding. When these companies are allowed to advertise their products in ways acceptable to parents, students, teachers and administrators (on scoreboards, for example) there is no loss of academic integrity or compromise of principle. The key is involvement of all concerned to ensure that the partnership is a "win-win" for both the corporation and the school.

Finally, I think most would agree that there are limits to the extent to which corporations can be involved effectively in the schools. That is why both parties should always construct relationships based ultimately on the benefits to be derived by students.

My experience has been that business firms such as those cited above, while mindful of their fiscal responsibility to shareholders, realize that producing well-educated students is the real "bottom line" for the good of society.

Dan DeRose is president of DD Marketing Inc., in Pueblo, Colo.



Locking up
Revenue... or
Locking
out Choice?

EXCLUSIVE Brand Contracts

By Karolyn Schuster

Are exclusive brand contracts an example of increased win-win partnering or a strong-arm freeze out of the competition by cash-rich companies?

Administrators of the University of Iowa are in the final stages of negotiating an exclusive brand contract with Coca-Cola that will leave the university's 27,000 students without access to their favorite soft drink, Mountain Dew, a Pepsi-Cola product.

In Colorado Springs, the names of high school juniors and seniors with perfect attendance records and 3.0 grade point averages will be submitted for a year-end drawing for a new automobile. The promotion, designed to improve student achievement, is funded by Coca-Cola as part of an exclusive brand contract with the district.

Last year, Coca-Cola introduced its newest beverage, Surge, in a marketing event staged on the campus of the University of Minnesota. A film of the event, which featured university students scrambling up a snow mountain to reach the canned beverage, was used widely in a publicity campaign for the product's national rollout.

A \$5-million traveling road show that features laser lights, music, and big-name athletes to teach kids about fitness and health is sponsored by HealthSouth, the country's largest rehabilitation and outpatient surgery company. Funding for the program comes from Travelers Insurance and from Coca-Cola, which signed a five-year exclusive partnership agreement with the company last June.

The cola wars are nothing new. "The soft drink business is a very local one and there have been exclusive agreements between bottlers and institutions for 50 years or more," says Jim Dinkins, managing director of immediate

consumption development for Coca-Cola.

Still, the deals in recent years have generated numbers staggering enough to make national headlines. Many point to the highly-publicized \$14 million Penn State agreement (with Pepsi-Cola) in 1992 as the event that really encouraged the trend on a national scale. Even that number paled in comparison to the 10-year, \$28.5 million contract signed in 1996 between Coca-Cola and the University of Minnesota.

Going after volume markets

Exactly how wide-spread is the practice?

Ron Coleman, a spokesman for Coca-Cola, notes that of the 3,600 colleges nationwide, fewer than 300 have exclusive brand contracts.

While that would seem to indicate only a modest penetration, what those numbers don't say is that almost all of these contracts have been negotiated since the mid-90s, and that many lock up specific colleges well into the next decade.

Further, the same kinds of contracts are now beginning to appear in the K-12 school segment, as financially-





strapped administrators there assess the value of their students as an exclusive customer base to the same companies. The terms of the contracts are also evolving.

Marketing dollars

The early deals were often described as "cash and a scoreboard" arrangements because they almost always involved a beverage company's "contribution" of a high-ticket, state-of-the-art lighted scoreboard for the university athletic stadium. Today, anything goes.

Bob Moore, the deputy school superintendent and chief financial officer for the Colorado Springs district that is staging the automobile giveaway, says other revenues from its exclusive deal with Coca-Cola will fund an annual teacher awards banquet, college scholarships for students and a leadership retreat for members of the administration and board of education.

"Exclusive contracts allow us to make a meaningful contribution to education and gain some terrific business development opportunities at the same time," a Pepsi-Cola spokesman told *Food Management*. "This is

Pepsi's market. Pepsi focuses on youth, teens in particular. Students on college campuses are the heart of Generation Next."

"There's a considerable value to these companies in creating a Coke or Pepsi drinker in the 18 to 24 age group," emphasizes Barry Scerbo, dining services director at Penn State. "It's a very impressionable time in their lives, and if a company can create brand-loyal customers at this stage it has a good chance of keeping them for life."

"Dollars are what's driving the trend to exclusive contracts," says John Walker, executive assistant in foodservice for the University of Minnesota. "But what's driving the dollars is the marketing. Coke has grown the beverage business tremendously on this campus. They've increased the number of machines, added locations, installed new state-of-the-art vending equipment.

"Plus," Walker adds, "they've backed it up with great marketing. Right now we have a 'gold cap' promotion exclusive to this campus. Under the caps of the 20-ounce beverage are coupons for everything from books and compact discs to free tuition and room and board."

New horizons

"It's a new horizon to realize that everything's for sale," admits Steve Bowers, director of dining services at the University of Iowa, which is negotiating an exclusive brand deal with Coke.

And whether foodservice directors like these contracts or not, many are finding the revenue streams too large to resist.

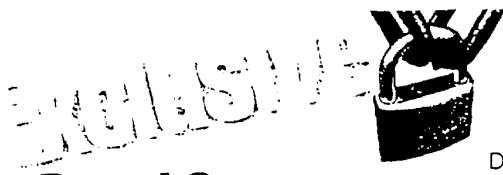
"We've all become entrepreneurs on college campuses," says Julaine Kiehn, campus dining services director of the University of Missouri-Columbia.

"We're all looking for ways of getting funds we're not getting from the state anymore. Colleges and universities need those rev-

The contract Penn State signed with Pepsi-Cola in 1992 increased the visibility of and interest in opportunities represented by exclusive brand contracts.

The early deals could often be summarized as "cash and a scoreboard" ... Today, anything goes.





Brand Contracts

venues to support our academic programs."

Echoing that point of view in Colorado Springs, School District 11's Moore refers to an *Education Week* report that showed Colorado funding per pupil had fallen to 48th place among the 50 states.

"The public expects us to be more entrepreneurial in looking for other sources of revenue," says Moore. "We can't expect new revenues from tax increases anymore."

Grades K-12 sign on

The exclusive deal with Coca-Cola that Moore's district put in place this school year will add a minimum of \$765,000 to the district's 56-school operating budget.

"The fact is that principals need additional revenues to run programs that aren't getting financial support," says Jill Benza, foodservice director of the Mesa, AZ, school district.

"Carbonated beverages already are being sold on high school campuses, whether by the athletic department or foodservice or through a contract each principal negotiates for his school. If exclusivity can increase revenues for each school and principal, then it is going to be considered," she says.

"There have been major concerns in the past about extending such deals to the K-12 market and the influence beverage companies might gain as a result," says Dan DeRose, founder and president of DD Marketing, Inc., the consulting company that negotiated the Colorado Springs deal (see sidebar on page A24).

"But administrators have come to realize they're not going to become East Coast Coca-Cola High after one of these deals goes through," says

DeRose. "The football team uniforms won't have a big Coke logo on the shirts.

"What does happen is that administrators now have money for some very worthwhile programs that wouldn't have been funded otherwise. And the beverage company gets to be a big local hero by supporting school programs that have a lot of visibility."

Coca-Cola spokesman Scott Jacobson says, "More and more it's not about Coke signage or a scoreboard in the stadium. We've funded locker rooms and athletic equipment and a lecture series. We've even renovated campus buildings."

Still, from the vendor's point of view, these agreements "are not about building a parking deck on campus," says Coke's Dinkins. "We're interested in the opportunity to market our total brand portfolio. You feel like an iced tea today? A fruit drink? Try our brands. That's what has value to us."

Such deals also have their share of detractors, including operators who are reluctant to give up product variety and manufacturers who see such practices as monopolistic.

Upfront money

"The problem with these arrangements is the upfront money," says one manufacturer, whose company

offers customers turnkey retail-style branded concepts.

While agreeing that an exchange of value is an essential part of all branding contracts, upfront cash payments "lead our customers to expect suppliers to buy their business, and to believe that we're all willing to do so."

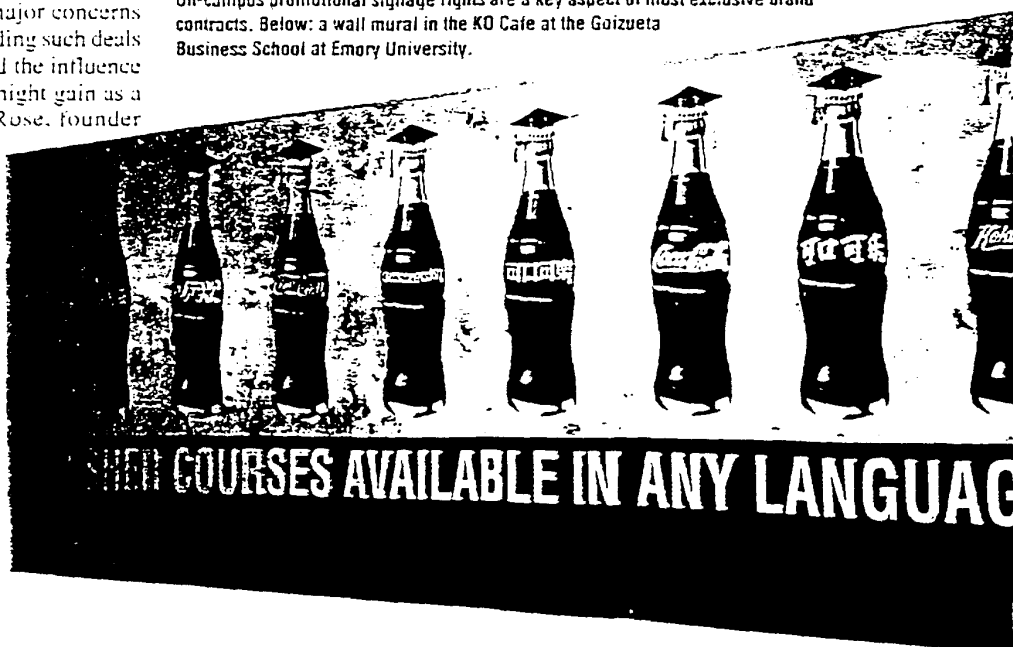
"Our company prefers to move a sale away from the idea of handing over a check. We'd rather see an emphasis on how much we are willing to spend on support services over the time of the contract."

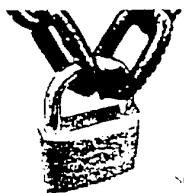
One fact that's often overlooked is that only a portion of the advertised promotional dollars are in hard cash.

In most deals, for example, the beverage supplier takes over all vending responsibilities. Much of the calculated value reflects an estimate of future savings the institution will have from no longer having to make the capital investment in vending machines or having to employ staff to service, stock and maintain them. Other savings come from "selling off" existing vending equipment.

The profits from increased beverage sales and the extensive marketing programs that a manufacturer typically brings to generate those sales are also valued in the deal. Coke's Dinkins says overall campus beverage sales typically increase from 15 to 50 percent as a result of such promotional activities.

On-campus promotional signage rights are a key aspect of most exclusive brand contracts. Below: a wall mural in the KO Cafe at the Goizueta Business School at Emory University.





Brand Contracts

But increasingly, institutions negotiate to include investments that a campus or foodservice department specifies, even if they don't directly relate to the beverage program.

In the University of Rhode Island's new contract with Pepsi-Cola, the beverage manufacturer is providing a combination of cash (all of which is earmarked for the library), student services (including career and financial aid services), computer software, and hardware such as debit card readers.

The \$700,000 annual cash distribution for Colorado's District 11 was customized to provide \$25,000 each to the amenity and foodservice departments, \$25,000 to each high school, \$15,000 to each middle school and \$3,000 to each elementary school.

Previously, many of District 11's 50

school principals negotiated their own contracts.

"There were good and not-so-good contracts out there," says Moore. "With the district-wide contract, most schools will be getting 100, 200, or 300% increases in revenue from their beverage vending."

There's no free lunch

One cost to the institution with these contracts is a loss of choice for customers.

"We had some real die-hard Mountain Dew fans—it was one of our top-

selling beverages," says the University of Missouri's Kiehn. "When they couldn't get their Dew, we saw a drop in business. But slowly it's coming back."

"It's hard to think of it as a total win-win situation because by committing to one brand, you're going to make half



Many contracts are accompanied by a commitment to special promotions to help increase overall beverage sales. Above: festivities at the University of Minnesota where Coke staged the national roll-out of its new Surge campaign.

The art of the deal

When it comes to exclusive brand contracts with educational institutions, Dan DeRose and Mike Roumoh, president and vice-president of DD Marketing Inc., know the inside story. As athletic director at Southern Colorado University, in Pueblo, DeRose developed a program of corporate sponsorships and an exclusive deal with Coke that increased the level of funds raised from \$30,000 to \$400,000 annually in just four years.

When Roumoh was marketing coordinator for School District 50 in Pueblo, the school board threatened to dismantle the high school athletic program unless financial support could be found. Roumoh negotiated what he believes was the first exclusive brand soft drink deal at the K-12 level, and generated more than \$200,000 in new revenues annually.

Today, the two consultants market this concept to universities and schools throughout the country. Here is their view of the brand-exclusive phenomenon.

Why didn't we see this approach 10 years ago? Why now?

"Educational institutions weren't in the funding crisis they're in now," says Roumoh. "The public won't raise taxes and the level of funding per pupil is dwindling every year. School boards are realizing they need to be creative in finding additional revenues."

What's the biggest hurdle you have to overcome in selling brand exclusive contracts to school boards and administrators?

"The biggest hurdle is getting them to believe the num-

bers," says Roumoh. "A typical school district contract provides \$30 to \$35 per student per year. That means a district with 30,000 kids may be able to realize \$900,000 per year."

Does a smaller school get lower numbers?

"There's little variation for volume or enrollment," says DeRose. Demographics—in terms of income levels in a district—are more likely to affect the revenue level than size."

What formulas are used to establish the revenue level for the school district?

"Our company has its own way of structuring these deals," says Roumoh. "We negotiate three things. First, the exclusive rights fee. That can be \$300,000 a year or more, depending on the district's size. Then there is a guaranteed minimum commission on every serving sold—let's say another \$300,000 a year—on all soda revenues. The third part is an additional amount if projected sales are exceeded."

What assurance does the school administrator have that service won't suffer?

"It boils down to the fact that the vendor has committed a big chunk of money," says DeRose. "So that vendor is going to sell as much soda as he can. And he's going to sell water and tea and sports drinks as much as he can. The way he does that is to make sure the customer has the widest variety of products available, to make sure that no machine is ever empty or broken, and to install more machines at more locations."

&

Pros... for the operator

Revenue generation. Exclusivity in theory should increase an operator's overall revenues from the sales of the specific product lines.

Signing bonuses. Contracts usually carry an upfront cash contribution or commitment at the time of signing.

Support is often provided for programs and services that would not otherwise be affordable/available.

Labor/equipment savings. The supplier usually assumes responsibility for the servicing, maintenance, repair, purchase and replacement of vending and dispensing equipment as well as related refrigeration and ice-making supplies and equipment.

Traffic. Suppliers routinely stage promotions to attract customers and generate goodwill. These increase traffic for other product sales as well.

for the supplier

Site monopoly. The manufacturer gets exclusive on-site access for the product category specified.

Long-term contract. Manufacturer is freed from bids and contract negotiation for the term of the contract and has more time to devote to marketing, promotions and customer service.

Enhanced image. Manufacturer enhances its image with customers by being associated with host organization's services, athletic/social events, activities and programs.

Market research opportunities. Manufacturer has access to a market audience with which to conduct research, test products, and solicit input to refine marketing, advertising and promotional activities.

Cons... for the operator

Reduced choice. Customers with alternate brand preferences are denied on-site access to these products. Without competition, say some, manufacturers don't have the market pressure to perform.

Foodservice budgets can be undermined. Removing a high-volume, high-margin product group such as beverages from a department operating budget—and moving the revenues and profits to an overall administration budget—can seriously skew existing financial ratios and projections.

Foodservice departmental authority can be usurped. In a worst case scenario, an administrator independently negotiates the contract with the manufacturer without consulting foodservice, which is then required to meet the terms of the contract after the fact. (Don't kid yourself. It has happened.)

Negotiating handicaps. These contracts can be extremely detailed and difficult to negotiate. Savings and revenue increases can be exaggerated. Manufacturers, who have negotiated similar contracts with other customers, have the advantage of experience. Most experts strongly recommend hiring a consultant to lead you through the process.

Less room for error. The longer terms of these agreements mean mistakes and oversights can cost the operator for a longer period.

for the supplier

Higher upfront costs. Signing bonuses can be significant and tie up funds that might provide more return elsewhere. Minimum annual cash outlays are committed in advance.

Market risk. An operator's volume may not increase to the degree expected if customers find alternate sources of competitors' brands.

Terms are fixed. Service terms are fixed for the length of the contract and usually cannot be renegotiated to pass on increased expenses.

your customers mad," says the University of Iowa's Bowers.

Another cost of these contracts usually appears in the form of higher beverage costs to the operator.

"Essentially, these contracts eliminate the middleman. The companies charge more for the product and then give the money back to the university. None of this is done without an expense to the students," Bowers says. "It can be a way of charging the customer more and giving that money to the university. It's a redistribution of dollars, a repositioning of dollars."

"Pepsi and Coke can paint a pretty rosy picture for university administrators. There's an attitude of 'what can we do to assist you in your time of need?'," says Richard Turnbull, associate director of university housing and dining services for Oregon State University, in Corvallis.

"It's easy to see why athletic departments embrace these contracts. They don't cost them anything. It's also easy to see why foodservice is often alarmed by them because we do pay a price."

Oregon State's long-term agreement with Coke was driven primarily by the athletics department, which needed \$1 million for a new scoreboard. A campus-wide exclusive contract for fountain and bottled beverages got the scoreboard but foodservice is paying more for beverages.

"Coke is recouping its upfront money from higher product prices," says Turnbull.

"Who pays those higher prices? Residence hall students. Once we knew for certain the university was going with an exclusive brand, our choice was to lobby either to minimize the impact on price or to build something in for the residence hall students. The result is that we're paying higher prices, but we've got \$800,000 in renovation money coming in over six years for residence hall dining facilities."

"The important thing for foodservice directors with these deals is to be included in every aspect of the negotiations," says Kathleen Gianquitti, dining services director at the University of Rhode Island (URI), in Kingston.

"We've all heard the stories of col-

Brand Contracts

large vice-presidents who got \$2 million from a beverage company for exclusive rights, and foodservice ending up paying 200% more for the product. These deals affect our ability to do business. They affect the price we pay for the product, what products we are allowed to sell and where they can be sold."

In the negotiations at URI that produced an exclusive deal with Pepsi, "foodservice was included all the way," says Cianfrutti. "Everything might not have come out exactly as I wanted, but we got the best deal we could."

Cianfrutti also recommends that students be included in contract discussions "because they're going to be paying higher prices under the contract." In URI's contract, vended beverage prices increased from 75 cents to \$1 and fountain beverage prices are scheduled for modest increases over a five year period.

"Most pitches from the beverage

companies are at the vice-presidential and presidential level," says one dining services director at a school that has not yet signed an exclusive brand contract.

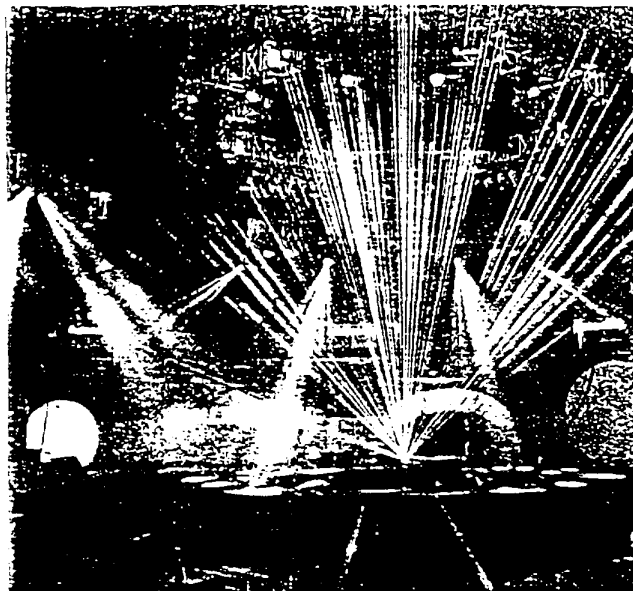
"The administrators treat it as a windfall of money. But foodservice is the one dealing with the customer who says, 'Where's my Coke? Where's my Pepsi?'" she adds.

"There are a lot of service areas I would be very careful to keep an eye on in negotiating the contract," says Kiehn.

"Things like delivery schedules, specifying who stocks the coolers. But of course, you're not going to be able to specify everything. The biggest point is to try to make the re-

lationship a real partnership.

"Both sides want to sell as much product as they can. Both sides want to satisfy as many customers as possible. You've got to focus on that." FM



In HealthSouth's agreement with Coca-Cola, the organization became the exclusive provider of rehabilitation and other services to Coca-Cola employees. Coke got exclusive access to HealthSouth's 1,700 facilities nationwide. Coke is also a sponsor of HealthSouth's "Go For It!" roadshow (above), which reaches thousands of young people annually.

In-line serveries that lock up product specs

Beverages aren't the only category in which manufacturers seek exclusive agreements. A growing number of companies are seeking to lock up product specifications by designing turnkey in-line serveries that advertise, display and serve signature product lines.



In-line and manufacturer brand stations are another way suppliers seek to lock up product specs. Above: A Schwan's Summit Sui unit at Drake University.

How it works. Typically, a foodservice operator hires a manufacturer to install its branded concept in an operation. The operator in turn agrees that only the manufacturer's product line will be sold at that servery.

Arrangements vary. Sometimes the operator pays only a minimal amount for the servery and its production equipment; the manufacturer recoups its capital cost from increased sales of product at that location. In other cases, the operator buys the equipment and, in exchange for exclusivity, negotiates a lower price for the product over the life of the agreement.

All sorts of other options may be included: manufacturer-provided training for the servery staff, regularly scheduled giveaways and promotions, cash subsidies for volume increases above certain levels, etc.

Some arrangements can be very informal. One healthcare director says

others are simply handshake agreements. "Legally, there's nothing to prevent me from selling another manufacturer's hot dog from this supplier's station, but the fact is, I wouldn't do it."

Such exclusive but non-binding arrangements appeal to both manufacturers and operators for a variety of reasons. For the operator, they avoid a complete lock-out of competing brands throughout an operation and avoid a long-term commitment that can restrict flexibility if the operator decides customers have tired of a specific concept.

For the manufacturer, sales volume of the featured product line almost invariably increases because of the signature installation. The manufacturer also benefits from an ongoing relationship that affords opportunities to use the operator's customer base for product testing, customer surveys, and market research.

Manteca Unified School District

Post Office Box 32 • Manteca, California 95336 • Telephone (209) 825-3200

August 16, 1999

To Whom It May Concern:

In the spring of 1998, DD Marketing, Inc., met with Manteca Unified School District to discuss the scope of services the firm offered in regard to exclusive beverage contracting. Manteca Unified School District had previously negotiated a five-year exclusive beverage contract for its high schools. With the contract coming up for renewal, the district chose to engage DDM with the task of coordinating, structuring and negotiating the next offer.

The results of the process that DDM coordinated were phenomenal. The new offer is able to increase like revenues five fold! The expertise that DDM was able to provide to the process was clearly a key component in increasing the value of the offer.

The district had limited experience in negotiating an exclusive beverage contract. By combining efforts with DDM, we were able to position ourselves favorably, even after their fee. The district highly recommends this firm to any school district.

Sincerely,

MANTECA UNIFIED SCHOOL DISTRICT



JERRY OGDEN
Assistant Superintendent
Business Services

JO:dm



Academy School District Twenty

Dr. Donald J. Fielder, Superintendent of Schools

Administration Office

7410 North Union Boulevard, Colorado Springs, CO 80920-3879

Phone 719-593-3300

Fax 719-593-9334

Email: dfielder@d20.co.edu

Web Site: www.d20.co.edu

August 9, 1999

To Whom It May Concern,

This is a letter of recommendation for DD Marketing to companies or school districts that are considering rights agreements with firms to provide products or services in an exclusive manner to their organization. Academy School District Twenty has contracted with DDM to handle all marketing matters for the district over the last two years and it is without reservation and with the highest confidence that I recommend them to any organization.

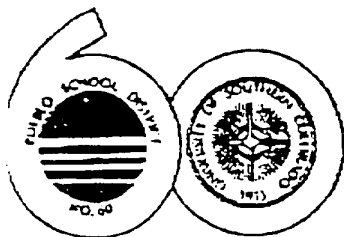
During a short two year period of time, DDM has been responsible for initiating and culminating an exclusive rights agreement with Coca Cola and a preferred provider agreement with U. S. West. These two agreements will bring just short of \$6,000,000 in guaranteed funds to the district over the next ten years and has positioned the district to pursue other similarly lucrative exclusive rights agreements which will further enhance our ability to offer programs and services to our students that we would otherwise be unable to provide.

Throughout our relationship with DDM we have experienced nothing but the highest professional and ethical conduct of all of its principals and representatives. They have provided outstanding service both before and after we signed the contract for DDM to serve as our marketing agents. They have been flexible in meeting our timelines and peculiar requirements and they have been steadfast in representing what was best for the district. They have been extremely successful in developing RFP's which have elicited responses from competing companies and in negotiating contracts with those companies which have proven extremely lucrative to the district.

Finally, I want to stress that with virtually no exceptions, Academy School District Twenty has received far more per student from its exclusive rights agreements than school districts who negotiated their own agreements or who used other marketing firms. The district's students, staff, parents and taxpayers have been the beneficiaries of DDM's outstanding competence and know-how. In closing, I give DDM my highest recommendation.

In the Academy Tradition,

Donald J. Fielder, Ed.D.
Superintendent



The Educational Alliance of Pueblo...

...a partnership for quality education

University of Southern Colorado
Pueblo School District No. 60

2200 Bonforte Blvd.
315 W. 11th Street

Pueblo, CO 81001-4901
Pueblo, CO 81003-2504

(719) 549-2511
(719) 549-7101

Dave Roudebush, Ph.D.

*Assistant Superintendent for Auxiliary Services
Associate Vice President for Administrative Services*

October 8, 1998

Mr. Ted Makarewicz
Director of Purchasing
Fulton County Schools
College Park, GA 30349

Dear Mr. Makarewicz,

I am writing to you at the request of Dan DeRose, President of DD Marketing. Pueblo School District has been associated with DD Marketing for several years. They are the primary marketing company used by the District.

Over the past several years, DD Marketing has managed the development of our Corporate Sponsorship Program, negotiated exclusive provider agreements for soft drinks, and is currently assisting the District in preferred provider agreements for telecommunications systems.

The Corporate Sponsorship Program consists of advertising sales and development of in-kind services to enhance the co-curricular activities of the District. Through the diligence of DD Marketing and the support of the Pueblo community, nearly \$200,000 is raised each year. Additionally, DD Marketing was instrumental in the development of a renegotiated contract for soft drink vending. Prior to the new agreement, the District was receiving approximately \$6.16 per student. The new package is expected to generate nearly \$27 per student for the next 12 years. The tenacity and professionalism of DD Marketing were two attributes that allowed this to occur.

Our relationship with DD Marketing has been positive and has provided a tremendous benefit to our students and community. If this were not the case, I can guarantee you that we would not be continuing our relationship into the arena of telecommunications. DD Marketing is the premier firm in the nation for K-12 and higher education marketing programs. I would strongly encourage you to consider establishing a relationship with DD Marketing if you have a need to supplement your funding sources for students. If you would like to talk in greater detail, feel free to call me at 719.549.7101.

Sincerely,

David C. Roudebush, Ph.D.
Assistant Superintendent



Kenneth Stephen Burnley, Ph.D., Superintendent

November 26, 1997

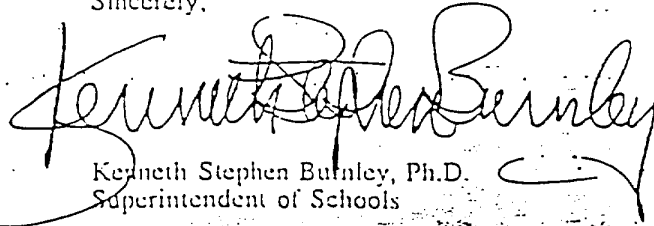
To Whom It May Concern:

In the spring of 1997, DD Marketing, Inc., met with Colorado Springs School District Eleven to discuss the possibility of becoming the sole negotiator of an exclusive soft drink contract for our 32,000-student district. Considering the many intricacies involved with securing a multimillion-dollar soft drink deal, we realized that utilizing a company which specializes in this field would definitely be in our best interest. Teaming up with the talented staff of DD Marketing would bring considerable specific experience and expertise to the table, experience and expertise that we otherwise would be lacking.

What DD Marketing did for our district in the months that followed reinforced its position as the leader in this new and exciting field of exclusive soft drink vending. DD Marketing's staff spearheaded the negotiation process from beginning to end, pitting soft drink giants against each other. DD Marketing not only provided leadership in the request for proposal preparation but also offered soft drink industry research and exacting detail in other documents and the final contract. The result was complete buy-in from site administrators (no mean accomplishment)! When all was said and done and the dust had settled, Colorado Springs School District Eleven found itself with the largest revenue generating exclusive soft drink contract in the nation: a ten-year deal with Coca-Cola which, if sales incentives are reached, will be worth as much as \$11 million. That translates into about \$34 per student per year!

Despite the fact that our school district has very strong management and a highly competent procurement department, DD Marketing's thorough knowledge of soft drink vending and its professional – and unyielding – approach to the negotiations proved to be invaluable. I highly recommend this talented firm to any school district.

Sincerely,



Kenneth Stephen Burnley, Ph.D.
Superintendent of Schools

KSB:jpm

1115 North El Paso Street
Colorado Springs, CO 80903-2599
(719) 520-2001 Fax: (719) 520-2278
burnley@cssd11.k12.co.us